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SUBJECT: CHARGE DISCUSSES IRAQI POLITICS AND INTERNATIONAL
ISSUES WITH DEPUTY PRESIDENT MAHDI

Classified By: Classified by Charge d, Affaires David Satterfield
for reasons 1.4 (b) and (d)

1. (SBU) CDA and DCM met with Deputy President Adil al-Mahdi on May 31 to discuss local politics and international issues.

IRAQI POLITICAL DEVELOPMENTS

3. (C) After opening pleasantries, Mahdi noted that he has devoted a lot of time over the past three weeks to Kurdish issues. He said the agreement giving Massoud Barzani a four-year term as President of the Kurdish Regional Government offers grounds to hope for a period of relative calm. Mahdi cautioned, though, that agreement was possible because discussion of a number of sensitive issues, such as the flag and the status of the Kurdish and Arabic languages, has been suspended for now.

4. (C) On Sunni outreach and the constitution-drafting process, Mahdi said the ITG must maintain a delicate balance. On the one hand, it is essential to show respect for the Sunni community's position and equities. However, this must be done without undercutting the legitimacy of the elected Transitional National Assembly (TNA), particularly its Sunni members.

5. (C) Charge's expression of regret for the arrest of Iraqi Islamic Party leader Mohsen Abdul-Hamid elicited little reaction from Mahdi. The Deputy President calmly took on board the explanation that the detention resulted from inadvertence and that coalition forces were fine-tuning their "hands-off" list to prevent future such occurrences.

NO IRANIAN AMNESTY

6. (C) Responding to a question from the Charge, Mahdi said that the proposed liberation of Iranian prisoners in Iraq will not take place. Although Prime Minister Jaafari did indeed sign a letter authorizing a general amnesty for detained Iranians, he lacks the authority to implement this promise on his own. According to Mahdi, the Presidency Council rejected the proposal; Charge noted that this was an encouraging example of how that body can use its powers responsibly.

PREPARING FOR INTERNATIONAL CONFERENCES

7. (C) Charge reminded Mahdi of the full slate of conferences facing the IIG in June and July: the EU-US conference in Brussels, the US-Iraq Joint Economic Committee, and the IRFFI donors' conference. Charge also underlined the importance of using these fora to present a coherent reconstruction and development strategy and to demonstrate tangible progress in reforming the policy distortions such as fuel and food subsidies that hamstring the capacity of the Iraqi economy to sustain economic growth.

8. (C) Mahdi concurred in the value of these meetings for highlighting the progress Iraq has made and its continuing need for assistance. Key economic policymakers such as Ali Allawi, Mahdi's successor as Finance Minister, and Central Governor Shabibi are fully committed to the need for economic reform and are explaining the need for these steps to other new members of the Cabinet who have not previously focused on these issues.

9. (U) REO Hillah, Basrah, Kirkuk, and Mosul Minimize considered.
Satterfield